[Mr. R. Nilakanta Pillai.]

iii. Penal interest will be charged at 10 per cent. per annum on overdue instalments.

The estimated cost of works for 1933-34 is expected to stand at about Bh. Rs 30 lakhs and the share payable by this Government therefor works up to Bh. Rs 10 lakhs. This sum is provided in the budget for the ensuing year.

47. *Government Investments in gilt-edged securities.*—One feature of our investments in gilt-edged securities is that we are keeping in our books for several years past Government of India non-terminable 3½ per cent. securities to the extent of Rs 38,91,100 and 3 per cent. securities to the extent of Rs 12,00,600 at their face value. The price of the 3½ per cent. paper went so low as Bh. Rs 50·9 in October 1931 with the abandonment of the Gold Standard both in Great Britain and in India; and the price of the 3 per cent. paper went down proportionately with the fall in the price of the 3½ per cent. securities. Government were watching for some years past, the trend of prices of securities in the gilt-edged market so as to relieve themselves of these low priced non-terminable securities without heavy loss. An opportunity however presented itself for a very short period during the course of the current year with the announcement by the Government of India of the conversion of their 5 per cent. 1929-47 and 1933 loans to a new issue of the 4 per cent. 1960-70 loan on payment of a cash bonus of Bh. Rs 7-8-0 and Bh. Rs 8-8-0 respectively. Government held in these two loans a sum of Rs 26,79,600 (Rs 25,39,600 in the 5 per cent. 1929-47 and Rs 1,40,000 in the 5 per cent. 1933 loans). If the conversion terms of the Government of India were not accepted, the only alternative to the holders of these two classes of securities would have been to receive payment in cash for their holdings. Government however closed with the offer of the Government of India and converted all the above holdings into the terminable 4 per cent. 1960-70 loan. The loss of interest by one per cent. in this case was inevitable under the circumstances. This conversion brought in Bh. Rs 2,02,370 by way of premium or profits.

With the general fall in the rate of interest on Government of India loans and the consequent rise in price of heavy yielding securities, it was thought advisable to part with a portion of our tax-free investments as the 5 per cent. 1945-55 securities. Accordingly, Rs 5 lakhs of this paper which were originally purchased at Bh. Rs 95 and which were borne in our books at Bh. Rs 100 were sold at an average price of about Bh. Rs 109-12 and the sale proceeds less profit were reinvested in the new 3½ per cent. 1947-50 to the extent of Rs 2 lakhs at Bh. Rs 93-10 per cent. and in the 4 per cent. 1960-70 to the extent of Rs 3 lakhs at Bh. Rs 93-11 per cent. This transaction has brought in a profit of Bh. Rs 80,625. Thus on the whole we realised during the year a profit of Bh. Rs 2,82,995 or S. Rs 2,88,048 and this amount is exhibited on the revenue side of the budget under the head "IX.—Interest-Premium on the conversion and sale of Government of India Securities." This profit of Bh. Rs 2,82,995 was utilised in converting

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24 lakhs out of the entire stock of Rs 38,91,100 of the 3½ per cent. paper into 4 per cent. 1960-70 securities of equivalent face value at an average difference payment of about Bh. Rs 11-14-0 per cent. This difference in price of Bh. Rs 11-14-0 between 3½ per cent. non-terminable and 4 per cent. 1960-70 terminable lasted only for a very short period. The difference has since widened and now stands at about Bh. Rs 14-8-0 and hence it was not found possible to relieve ourselves any more of the 3½ per cent. nonterminable securities at an advantage.

FINANCIAL POSITION.

48. A statement of our Assets and Liabilities as at the close of 1108 and 1109 is given on page 7 of the budget estimates. According to the final accounts of 1107, our booked assets stood at Rs 358·80 lakhs and the liabilities at Rs 235·96 lakhs. At the close of the current year, the assets are expected to amount to Rs 381·60 lakhs and the liabilities to Rs. 267·90 lakhs. Our surplus investments which stood at Rs 187·95 lakhs at the close of 1107 are expected to amount to Rs 211·73 lakhs at the close of the current year. In the next year, it is expected that we shall have to draw Rs 29·97 lakhs from our surplus investments to meet the expenditure on Capital Works and for the investment of the Sinking Fund Balances. The investment account is therefore expected to stand at Rs 181·76 lakhs at the close of 1109. Our Assets and Liabilities at the end of the next year are expected to be Rs 374·47 lakhs and Rs 278·35 lakhs respectively. The Government Account which stood at Rs 122·84 lakhs at the close of 1107 is expected to be reduced to Rs 113·70 lakhs at the close of the current year on account of the expenditure on Capital Works. As Government propose to incur a Capital expenditure of Rs 19·37 lakhs during the next year, the net outgoing is estimated at Rs 17·58 lakhs. The Government Account is thus expected to close with a balance of Rs 96·12 lakhs. The cash balance of the State which stood at Rs 57·55 lakhs at the beginning of the current year is expected to stand at Rs 44·52 lakhs at its close and at Rs 44·57 lakhs at the close of the next year.

PRESIDENT: Before we rise, I shall explain, very briefly the procedure to be followed in discussing the Budget.

Under Rule 69, the debate on the Budget by the Assembly will begin with a general discussion and be followed by the voting of demands for grants. It has been usual to allot two days for the general discussion of the Budget. During this session, however, the time available on the 2nd August after the election of the Deputy President, and the whole of the 3rd and the 4th August will be allotted for the general discussion of the Budget. The discussion of the demands and the voting on them will take place in the Assembly from the 7th to the 12th and the 14th August. The maximum period admissible under Rule 71 (1) for dealing with the demands in the Assembly will thus be seen to have been allotted for the purpose. The demands will be discussed in the order in which they are printed in the statement

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